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SUBJECT: Statoil on Opening New Offshore Acreage, Stokman

(U) Acting PolEcon Counselor met with a senior official responsible for offshore exploration and production in northern areas of the Norwegian Continental Shelf (NCS) at majority state-owned oil company Statoil on February 9 to discuss the company's vision for gaining access to additional offshore oil and gas production acreage, Statoil's oil spill response system, and recent developments related to the Stokman offshore gas field.

(U) The Statoil representative related that the company has extensive knowledge and experience in northern offshore areas, including the politically and environmentally sensitive Lofoten-Vesteralen region, where Statoil and Norsk Hydro (later merged with Statoil) had conducted some drilling in the late 1990's and early 2000's. This took place before a moratorium imposed by an earlier government headed by current Prime Minister Stoltenberg. She pointed out that Statoil currently produces oil just south of this area.

(SBU) Statoil identified two obstacles to development in this area. First, the NCS is very narrow, so seismic surveys would conflict with fishing activity and the oil industry would therefore have to limit their use. Overall, the representative assessed that the fishing industry is more amenable to negotiation with oil companies on shared on offshore development than are environmentalists. Second, the narrow NCS means that production would take place closer to the coast, leaving less reaction time in the event of an oil spill or other accident. Our contact was confident that a robust oil spill emergency system can address this issue. She pointed out that the Goliat oil field in the Barents Sea, just 40 kilometers from shore, will have the world's most extensive oil spill emergency system and that similar expertise can be applied in the Lofoten-Vesteralen region. Proximity to shore will also require any production infrastructure to be located on the sea floor.

(SBU) The Statoil official opined that the GON will try to drag out a decision on developing Lofoten-Vesteralen until after the next parliamentary elections in 2013. A white paper on the issue is due to be completed in 2010, though this might slip to 2011. After the white paper is finished, an environmental impact assessment will be required. This will make it very difficult to actually begin production within the current government's four-year mandate. Comment: This delay would suit junior coalition partners (the Center and Socialist Left parties) which are hostile to development. The dominant Labor party is more receptive to oil and gas industry arguments. End Comment. However, the Statoil representative speculated that a compromise was also possible, with the current government perhaps choosing to open less sensitive areas in the Barents Sea, while continuing to put off a decision to open up the Lofoten-Vesteralen region.

(SBU) Stokman: Commenting on the recent decision taken by the Gazprom-Total-Statoil consortium to postpone investment in the huge Stokman field in Russia's Barents Sea, our Statoil contact said that the consortium's projections for production by 2013 had been too optimistic and so she was not surprised at the postponement. However, she opined that Stokman would eventually be brought online since European consumers will eventually need Stokman's gas as West

European production of natural gas declines in the future.
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